

Fiscal Note

Fiscal Services Division



SF 2343 – Cogeneration Facilities, Renewable Energy Tax Credit (LSB 5620SV)
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Fiscal Note Version – New

Description

Senate File 2343 extends the deadline for putting in place a renewable energy facility in order to qualify for the State's existing energy generation tax credit. The tax credit is equal to 1.5 cents per kilowatt-hour of generated electricity. This Bill extends the current deadline (January 1, 2015) two years, making facilities placed in service before January 1, 2017, eligible for the tax credit.

This Bill also adds methane gas, landfill gas, and biogas as allowed fuel sources for an existing 10.0 megawatt cogeneration subcategory of qualified facilities. The subcategory is currently limited to natural gas cogeneration.

Background

Iowa Code chapter 476C includes a tax credit for qualified energy generated through the renewable energy requirements of that chapter. The chapter generally relates to wind energy projects but additional project subcategories are included. As originally enacted in 2005 (SF 390, Renewable Energy Tax Credit Act), chapter 476C had a maximum generating capacity of 100 megawatts and a placed in service deadline of January 1, 2011. The law has been amended several times and the current limit of 363 megawatts of wind generation, as well as the current January 1, 2015, placed in service deadline, was enacted in 2011.

As of March 2014, projects approved for the tax credit totaling 80.0 megawatts are operational and an additional 282.3 megawatts have been approved for tax credit eligibility, but are not operational.

Iowa also allows wind energy facilities approved under **Iowa Code chapter 476B** to earn tax credits. That chapter is not amended in this Bill.

Assumptions

- The wind energy maximum allowed capacity is 363.0 megawatts.
- Wind energy generating capacity totaling 80.0 megawatts is currently operational.
- An additional wind energy generating capacity totaling 155.8 megawatts is assumed to become operational by the current deadline of January 1, 2015.
- With the extension provided in the Bill, another 62.5 megawatts in 2015 and 64.7 megawatts in 2016 are assumed to become operational. It is further assumed that without extending the placed in service deadline, those 127.2 megawatts will not earn tax credits under existing law. The projects completed in 2015 will first redeem tax credits in FY 2016 with the projects completed in 2016 redeeming credits the following year.
- Once approved and operational, wind conversion facilities earn tax credits for 10 years.

- Based on the tax credit awards to existing approved and operational wind facilities, kilowatt-hours claimed for tax credits equal 44.8% of the nameplate capacity of the facilities.
- The tax credits are transferable.
- Each year's credits will be redeemed:
 - First year = 55.0% of credits earned
 - Second year = 33.0%
 - Third year = 10.4%
 - Fourth year = 1.6%

Fiscal Impact

The extension of the placed in service deadline for wind energy facilities is projected to reduce net General Fund revenue by \$75.0 million over 14 fiscal years. The projected amounts, by fiscal year, are provided in the following table.

| Wind Energy Tax Credits | | | | | |
|--------------------------------------|----|------|---------|----|------|
| Net General Fund Impact, in Millions | | | | | |
| FY 2016 | \$ | -2.0 | FY 2023 | \$ | -7.5 |
| FY 2017 | | -5.3 | FY 2024 | | -7.5 |
| FY 2018 | | -7.0 | FY 2025 | | -7.5 |
| FY 2019 | | -7.4 | FY 2026 | | -5.5 |
| FY 2020 | | -7.5 | FY 2027 | | -2.2 |
| FY 2021 | | -7.5 | FY 2028 | | -0.5 |
| FY 2022 | | -7.5 | FY 2029 | | -0.1 |

Sources

Iowa Utilities Board
Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
